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VOC FOR IOP/FN

BACKGROUNDER NO. 1-9906

WILLIAM LEAVITT/KINGSTON

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IMF SCENESETTER

ANNCR:

FINANCE MINISTERS FROM THE LEADING INDUSTRIAL COUNTRIES AND THE DEVELOPING WORLD HAVE GATHERED IN KINGSTON, JAMAICA FOR WEEK-LONG CONFERENCES ON WORLD MONETARY PROBLEMS, AND EXAMINATIONS OF THE GLOBAL ECONOMIC SITUATION. VOA'S WILLIAM LEAVITT HAS THIS BACKGROUND REPORT FROM THE JAMAICAN CAPITAL. VOICE:

THE WEATHER IS BALMY IN THIS CARIBBEAN CAPITAL AND THE TASK OF THE FINANCE MINISTERS AND CENTRAL BANK CHIEFS CONVERGING HERE FOR THE INTERNATIONAL MONETARY FUND AND WORLD BANK MEETINGS IS TO PREVENT FURTHER ECONOMIC STORMS AROUND THE WORLD.

THE MEETING AGENDA IS CROWDED. ON TUESDAY, THE INTERNATIONAL MONETARY FUND'S SO-CALLED INTERIM COMMITTEE -- WHICH REPRESENTS BOTH THE INDUSTRIAL COUNTRIES AND THE DEVELOPING NATIONS -- OPENS TWO DAYS OF MEETINGS. IT WILL EXPLORE PROBLEMS RANGING FROM CURRENCY EXCHANGE RATES TO FURTHER EXPANSION OF ASSISTANCE TO THE POOR COUNTRIES. IT'S EXPECTED THAT WORKING AGREEMENTS WILL BE REACHED ON CHANGING THE IMF'S RULES TO PERMIT THE SO-CALLED CURRENCY FLOAT. ANOTHER WAY OF SAYING THAT NATIONAL CURRENCIES FIND THEIR VALUE WITH RESPECT TO EACH OTHER IN ACCORDANCE WITH MARKET FORCES. BUT STRICTLY SPEAKING IT IS NOT LEGAL IN THE IMF RULE BOOK WHICH STILL PRESCRIBES FIXED RATES OF EXCHANGE.

ALONG WITH LEGITIMIZING WHAT'S BEEN GOING ON THE MONEY EXCHANGE MARKET, THERE WILL BE AGREEMENT ON WAYS TO ASSURE GOVERNMENT CENTRAL BANK INTERVENTION TO PREVENT EXCHANGE RATES FROM FLUCTUATING TOO WILDLY. INTERVENTION MEANS CENTRAL BANK PURCHASE OF CURRENCIES TO RESTORE THE BALANCE OF SUPPLY AND DEMAND FOR CURRENCIES IN THE PRIVATE MONEY MARKETS.

(OPT) THE FLOATING EXCHANGE QUESTION HAD BEEN A BONE OF CONTENTION BETWEEN FRANCE AND THE UNITED STATES. FRANCE HAS OPPOSED FLOATING RATES ON GROUNDS THAT THEY ADVERSELY AFFECT HER WORLD TRADING POSITION. BUT AT THE NOVEMBER HEADS OF STATE MEETING IN RAMBOUILLET, FRANCE, THE UNITED STATES AND FRANCE REACHED A COMPROMISE WHICH ASSURES CONTINUATION OF THE FLOAT. (END OPT)

THE INTERIM COMMITTEE, WHICH IS ESSENTIALLY A POLICY-MAKING GROUP FOR THE IMF, IS ALSO LIKELY TO REACH AGREEMENT ON FORMULAS TO INCREASE THE DEVELOPING COUNTRIES SHARES AND FLOATING POWER IN THE IMF -- DOUBLING THE OIL EXPORTING COUNTRIES' INSTITUTION, THE WORLD BANK. THE COMMITTEE WILL ALSO ATTACK THE PROBLEM OF HOW TO DISPOSE OF AS MUCH AS TWENTY-FIVE MILLION OUNCES OF IMF GOLD AT MARKET PRICES WITH THE PROCEEDS GOING TO SET UP A TRUST FUND TO BENEFIT THE POORER COUNTRIES. THE SALE WAS AGREED ON LAST SEPTEMBER AT THE IMF ANNUAL MEETING IN WASHINGTON, BUT THE PROCESS IS SENSITIVE, SO THE SALE HAS TO BE DONE GRADUALLY. OBSERVERS E-XPECT THAT ONLY ABOUT EIGHTEEN MILLION OUNCES WILL ACTUALLY BE SOLD, WITH THE REMAINDER OF THE TWENTY-TWO OUNCES GIVEN DIRECTLY TO THE POORER COUNTRIES. AT ANY RATE,

SOURCES INDICATE THAT A CLOSE STUDY OF THE GOLD PROBLEM SUGGESTS THAT THE IMF SALE WILL NOT SHARPLY AFFECT THE INTERNATIONAL GOLD MARKET. AT MOST, SAY THESE SOURCES, IT MIGHT BRING THE FREE MARKET PRICE DOWN BY ONLY A FEW DOLLARS BECAUSE DEMAND FOR GOLD REMAINS HIGH AROUND THE WORLD.

THE OTHER KEY MEETING HERE IN JAMAICA THIS WEEK WILL BE HELD BY THE IMF DEVELOPMENT COMMITTEE, SPEAKING FOR THE DEVELOPING NATIONS, ON FRIDAY AND SATURDAY. THOSE DELEGATES WILL BE CONCENTRATING ON THE FINANCIAL AND TRADE SITUATIONS OF THE DEVELOPING COUNTRIES, ON WAYS TO IMPROVE THEIR ACCESS TO WORLD MONEY MARKETS, ON THEIR NATIONAL DEVELOPMENT TARGETS AND, OF COURSE, ON FINANCIAL AID IN ALL FORMS FROM THE RICHER COUNTRIES.

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